

**REPORT OF THE AUDIT OF THE
GREEN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREEN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Green County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$556,644 from the beginning of the year, resulting in a cash surplus of \$532,726 as of June 30, 2002.

Debt Obligations:

Capital lease principal agreements totaled \$89,869 as of June 30, 2002. Future principal and interest payments of \$99,692 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Mary Ann Blaydes Baron, Green County Judge/Executive

Members of the Green County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of Green County, Kentucky, as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Green County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Jane Todd Crawford Memorial Hospital. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Jane Todd Crawford Memorial Hospital, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Green County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Mary Ann Blaydes Baron, Green County Judge/Executive
Members of the Green County Fiscal Court

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity balances of Green County, Kentucky as of June 30, 2002 and its revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2003 on our consideration of Green County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Green County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 25, 2003

GREEN COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Mary Ann Blaydes Baron	County Judge/Executive
Homer Simpson	Magistrate
Glen Landis	Magistrate
Charles Judd	Magistrate
Redell Jewell	Magistrate
James "Buck" Henderson	Magistrate

Other Elected Officials:

Jeffery Eastham	County Attorney
Thomas J. Marcum	Jailer
Billy H. Squires	County Clerk
John Frank	Circuit Court Clerk
Mel Shuffett	Sheriff
J. W. Edwards	Property Valuation Administrator
Eudell Stilts	Coroner

Appointed Personnel:

Billy Joe Lowe	County Treasurer
Alice A. Clark	Finance Officer
Ronnie Milby	Road Supervisor

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

GREEN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>		Totals (Memorandum Only) Primary Government
	<u>General</u>	<u>Special Revenue</u>	
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 476,458	\$ 58,405	\$ 534,863
Total Assets	\$ 476,458	\$ 58,405	\$ 534,863
<u>Other Resources</u>			
Amounts to Be Provided In Future Years for:			
Capital Lease Agreement			
Principal Payments (Note 4)			
Grader Lease	\$ 89,869		\$ 89,869
Total Other Resources	\$ 89,869	\$ 0	\$ 89,869
Total Assets and Other Resources	\$ 566,327	\$ 58,405	\$ 624,732

The accompanying notes are an integral part of the financial statements.

GREEN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2002
(Continued)

	Governmental Fund Types		Totals (Memorandum Only) Primary Government
	General	Special Revenue	
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Capital Lease	\$ 89,869	\$	\$ 89,869
Payroll Revolving Liabilities	2,137		2,137
Total Liabilities	\$ 92,006	\$ 0	\$ 92,006
<u>Equity</u>			
Fund Balances:			
Unreserved	\$ 474,321	58,405	532,726
Total Equity	\$ 474,321	\$ 58,405	\$ 532,726
Total Liabilities and Equity	\$ 566,327	\$ 58,405	\$ 624,732

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

GREEN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,433,347	\$ 1,931,237	\$ 916,564	\$ 42,543
Other Financing Sources:				
Transfers In	335,512	195,462		115,000
Kentucky Advance Revenue Program	708,000	409,300	298,700	
Lease-Purchase Proceeds				
Total Cash Receipts	<u>\$ 4,476,859</u>	<u>\$ 2,535,999</u>	<u>\$ 1,215,264</u>	<u>\$ 157,543</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,949,196	\$ 2,412,628	\$ 830,285	\$ 168,194
Other Financing Uses:				
Transfers Out	335,512	140,050	195,462	
Capital Leases-				
Principal Paid	40,795		14,146	
Kentucky Advance Revenue Program				
Repaid	708,000	409,300	298,700	
Total Cash Disbursements	<u>\$ 5,033,503</u>	<u>\$ 2,961,978</u>	<u>\$ 1,338,593</u>	<u>\$ 168,194</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (556,644)	\$ (425,979)	\$ (123,329)	\$ (10,651)
Cash Balance - July 1, 2001	<u>1,089,370</u>	<u>791,669</u>	<u>206,966</u>	<u>17,710</u>
Cash Balance - June 30, 2002	<u>\$ 532,726</u>	<u>\$ 365,690</u>	<u>\$ 83,637</u>	<u>\$ 7,059</u>

The accompanying notes are an integral part of the financial statements.

GREEN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

General Fund Types	Special Revenue Fund Types				Community Development Block Grant Green/Taylor Water Expansion Project Fund
Local Government Economic Assistance Fund	Fire Protection Fund	911 Fund	911 Grant Fund		
\$ 19,484	\$ 1,177	\$ 165,585	\$ 51,934	\$ 304,823	
	50	25,000			
<u>\$ 19,484</u>	<u>\$ 1,227</u>	<u>\$ 190,585</u>	<u>\$ 51,934</u>	<u>\$ 304,823</u>	
\$ 22,733	\$ 1,224	\$ 162,447	\$ 46,862	\$ 304,823	
		26,649			
<u>\$ 22,733</u>	<u>\$ 1,224</u>	<u>\$ 189,096</u>	<u>\$ 46,862</u>	<u>\$ 304,823</u>	
\$ (3,249)	\$ 3	\$ 1,489	\$ 5,072	\$ 0	
<u>21,184</u>	<u>5</u>	<u>14,684</u>	<u>37,152</u>		
<u>\$ 17,935</u>	<u>\$ 8</u>	<u>\$ 16,173</u>	<u>\$ 42,224</u>	<u>\$ 0</u>	

The accompanying notes are an integral part of the financial statements.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Green County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jane Todd Crawford Memorial Hospital as part of the reporting entity.

Jane Todd Crawford Memorial Hospital

Fiscal Court owns and has been granted a license authorizing them to operate the Jane Todd Crawford Memorial Hospital. Originally, the Fiscal Court appointed 9 community organizations and the Chief of the Medical Staff of the hospital. Each of these organizations were, in turn, authorized to appoint one member to the hospital's board of directors. The board of directors is charged with managing the affairs of the hospital. However this board, should it appear that it has grossly abused its discretion and is not acting in the best interest of the Hospital, may be changed by the Fiscal Court. In addition, the By-Laws, Rules and Regulations of Jane Todd Crawford Memorial Hospital, state that purposes of the board of directors are subject to the approval of the Fiscal Court of Green County. The board has authority to prepare the annual budget subject to the approval of Fiscal Court. The financial statements of the Jane Todd Crawford Memorial Hospital have been audited by other auditors whose report has been furnished to us and is presented discretely as an addendum to our report.

Additional - Green County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Green County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Green County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Green County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Green County Special Revenue Fund Type includes the following county funds: Fire Protection Fund, 911 Fund, 911 Grant Fund, and the Community Development Block Grant Green/Taylor Water Expansion Project Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Green County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. The county considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Green County Fiscal Court: Green County Park Board, Green County Sanitation District #1, Green County Cooperative Extension, Green County Public Library Service Corporation, and the Green County Ambulance Service.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Capital Lease Obligation

On October 23, 2001 Green County entered into a capital lease agreement with Caterpillar Financial Services Corporation in the amount of \$104,015. The funds were used to purchase a road grader. The county was in compliance with the lease agreement as of June 30, 2002. The lease matures on November 23, 2006. The principal and interest is to be paid monthly and is based on a 5.0% interest rate. The principal balance outstanding as of June 30, 2002 was \$89,869. Debt service requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2003	\$ 3,697	\$ 17,805
2004	3,082	20,375
2005	2,039	21,417
2006	944	22,513
2007	61	7,759
Totals	<u>\$ 9,823</u>	<u>\$ 89,869</u>

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease Agreement

The county has entered into the following lease agreement:

Liabilities of the Fund are:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
County Clerk's Copier	2/25/2000	3/25/2005	n/a	\$ 7,564

Note 6. Material Grants

A. Pride Grant

Green County Fiscal Court was awarded a Federal Pride grant totaling \$49,500 from the Center For Rural Development for the purpose of cleaning up various dumpsites within Green County. During fiscal year 2002, Green County Fiscal Court received grant funds of \$49,500, which included reimbursements for prior year expenditures in the amount of \$10,735 and spent funds totaling \$38,765. The unexpended balance as of June 30, 2002 was \$0.

B. Community Development Block Grant - State Programs

Green County Fiscal Court was awarded a federal grant in the amount of \$405,000 from the United States Department of Housing and Urban Development, passed through the Department for Local Government, Commonwealth of Kentucky, Kentucky Community Development Block Grant - State Programs, to provide funds for the Green/Taylor Water Expansion Project for waterline construction. During fiscal year 2002, Green County Fiscal Court received and expended grant funds of \$304,823. The unexpended balance as of June 30, 2002, was \$0.

C. HB 502 Community Development Water/Wastewater Project Grant

In the prior year, Green County Fiscal Court was awarded and received a State HB 502 grant in the amount of \$450,000. During fiscal year 2002, these funds were passed through to the Green County Sanitation District #1 for the purpose of reducing indebtedness, funding required reserve accounts, and paying operating and maintenance expenses of the district. The unexpended balance as of June 30, 2002 was \$0.

D. Blacktop Grant

Green County Fiscal Court was awarded a state grant totaling \$94,000 from the Department of Highways, Transportation Cabinet, Commonwealth of Kentucky, for the purpose of blacktopping various county roads. During fiscal year 2002, Green County Fiscal Court received and expended grant funds of \$94,000. The unexpended balance as of June 30, 2002, was \$0.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2002, Green County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

GREEN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Types</u>			
General Fund	\$ 4,227,624	\$ 1,931,237	\$ (2,296,387)
Road and Bridge Fund	1,241,562	916,564	(324,998)
Jail Fund	41,475	42,543	1,068
Local Government Economic Assistance Fund	18,600	19,484	884
<u>Special Revenue Fund Types</u>			
Fire Protection Fund	1,225	1,177	(48)
911 Fund	164,100	165,585	1,485
911 Grant Fund	50,000	51,934	1,934
Community Development Block Grant- Green Taylor/Water Expansion Project Fund	405,000	304,823	(100,177)
Totals	<u>\$ 6,149,586</u>	<u>\$ 3,433,347</u>	<u>\$ (2,716,239)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,149,586
Add: Budgeted Prior Year Surplus			496,000
Less: Other Financing Uses			<u>(41,019)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,604,567</u>

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SCHEDULE OF OPERATING REVENUE

GREEN COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPES		
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Types
Taxes	\$ 470,534	\$ 356,214	\$ 114,320
Excess Fees	28,729	28,729	
Licenses and Permits	38,660	38,660	
Intergovernmental Revenues	1,414,417	1,074,594	339,823
Charges for Services	72,209	4,340	67,869
Miscellaneous Revenues	1,360,582	1,359,889	693
Interest Earned	48,216	47,402	814
Total Operating Revenue	<u>\$ 3,433,347</u>	<u>\$ 2,909,828</u>	<u>\$ 523,519</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

GREEN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,506,721	\$ 315,766	\$ 1,190,955
Protection to Persons and Property	228,712	201,315	27,397
General Health and Sanitation	1,042,152	534,869	507,283
Social Services	5,450	3,290	2,160
Recreation and Culture	275,200	14,893	260,307
Roads	734,368	605,388	128,980
Debt Service		12,879	(12,879)
Capital Projects	407,400	105,635	301,765
Administration	1,784,888	1,639,805	145,083
Total Operating Budget - General Fund Types	\$ 5,984,891	\$ 3,433,840	\$ 2,551,051
Other Financing Uses:			
Capital Lease Agreement- Principal on Lease	14,370	14,146	224
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 5,999,261</u>	<u>\$ 3,447,986</u>	<u>\$ 2,551,275</u>

GREEN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 187,125	\$ 210,101	\$ (22,976)
General Health and Sanitation	405,000	304,823	100,177
Debt Service	<u>27,551</u>	<u>432</u>	<u>27,119</u>
Total Operating Budget - Special Revenue Fund Types	\$ 619,676	\$ 515,356	\$ 104,320
Other Financing Uses:			
911 Equipment Lease- Principal	<u>26,649</u>	<u>26,649</u>	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPES	<u>\$ 646,325</u>	<u>\$ 542,005</u>	<u>\$ 104,320</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Mary Ann Blaydes Baron, Green County Judge/Executive
Members of the Green County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Green County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 25, 2003. We did not audit the financial statements of the Jane Todd Crawford Memorial Hospital. Other auditors whose reports have been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Green County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Green County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 25, 2003

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Mary Ann Blaydes Baron, Green County Judge/Executive

Members of the Green County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Green County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Green County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Green County's management. Our responsibility is to express an opinion on Green County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Green County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Green County's compliance with those requirements.

In our opinion, Green County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Green County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Green County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 25, 2003

FINDINGS AND QUESTIONED COSTS

GREEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Green County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Green County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Green County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Green County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grant - State Program
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Green County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GREEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
 Cash Programs:		
 <u>U.S. Department of Housing and Urban Development</u>		
 Passed-Through State Department for Local Government:		
Community Development Block Grants- State Programs Green/Taylor Water Expansion Project (CFDA #14.228)	99-029	\$ 304,823
 <u>U.S. Department of Commerce</u>		
 Passed-Through Center For Rural Development		
PRIDE Community Grant Program- Dump Sites Clean-up (CFDA #11.469)	CF00-09	38,765
Fall 2001 (CFDA #11.469)	CF01-10	23,118
 <u>U.S. Department of the Interior</u>		
 Passed-Through State Department for Local Government:		
Outdoor Recreational Acquisition Development and Planning Grant- Green County Park LWCF Project (CFDA #15.916)	21-01238	8,335

GREEN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2002
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs: Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)	Not Available	<u>1,576</u>
Total Cash Expenditures of Federal Awards		<u>\$ 376,617</u>

GREEN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Green County, Kentucky and is presented on a modified cash basis of accounting.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for the Outdoor Recreation Acquisition Development and Planning grant includes funds paid to a subrecipient.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
Outdoor Recreational Acquisition Development And Planning Grant	15.916	\$ <u>8,335</u>

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

GREEN COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

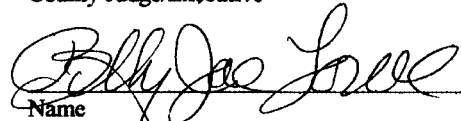
GREEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Green County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name

County Judge/Executive


Name

County Treasurer

AUDIT REPORT OF THE
JANE TODD CRAWFORD MEMORIAL HOSPITAL

Jane Todd Crawford Memorial Hospital

Accountants' Report and Financial Statements

June 30, 2002 and 2001



220 W. Main Street, Suite 1700
P.O. Box 1178
Louisville, KY 40201-1178
502 581-0435 Fax 502 581-0723

bkd.com

Independent Accountants' Report

Board of Directors
Jane Todd Crawford Memorial Hospital
Greensburg, Kentucky

We have audited the accompanying balance sheets of Jane Todd Crawford Memorial Hospital as of June 30, 2002 and 2001, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jane Todd Crawford Memorial Hospital as of June 30, 2002 and 2001, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

August 23, 2002

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Jane Todd Crawford Memorial Hospital
June 30, 2002 and 2001

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Independent Accountants' Report	1
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Financial Statements

Balance Sheets	2
Statements of Operations	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Jane Todd Crawford Memorial Hospital

Balance Sheets

June 30, 2002 and 2001

Assets

	2002	2001
Current Assets		
Cash	\$ 174,688	\$ 216,740
Short-term investments	415,083	366,444
Patient accounts receivable, less allowance for uncollectible accounts; 2002 - \$1,693,102, — 2001 - \$1,892,966	1,576,634	1,961,395
Supplies	333,722	311,791
Prepaid expenses and other	<u>97,076</u>	<u>16,325</u>
Total current assets	<u>2,597,203</u>	<u>2,872,695</u>
Assets Limited as to Use		
Board designated for capital improvements	<u>189,432</u>	<u>153,259</u>
Property and Equipment, at cost		
Land	17,915	17,915
Building and improvements	1,687,336	1,673,929
Equipment	2,207,809	2,137,963
Construction in progress	<u>49,860</u>	<u>—</u>
	3,962,920	3,829,807
Less accumulated depreciation	<u>2,696,263</u>	<u>2,488,768</u>
	<u>1,266,657</u>	<u>1,341,039</u>
Total assets	<u>\$ 4,053,292</u>	<u>\$ 4,366,993</u>

Liabilities and Net Assets

	2002	2001
Current Liabilities		
Accounts payable	\$ 622,205	\$ 582,367
Note payable to bank	81,686	—
Current maturities of long-term debt	99,144	127,315
Accrued expenses	444,222	388,222
Estimated amount due to third-party payers	<u>4,397</u>	<u>705,515</u>
Total current liabilities	1,251,654	1,803,419
Long-term Debt	<u>59,922</u>	<u>160,253</u>
Total liabilities	<u>1,311,576</u>	<u>1,963,672</u>
Net Assets	<u>2,741,716</u>	<u>2,403,321</u>
 Total liabilities and net assets	 \$ <u>4,053,292</u>	 \$ <u>4,366,993</u>

Jane Todd Crawford Memorial Hospital

Statements of Operations

Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue	\$ 10,652,565	\$ 9,771,538
Tax revenue	30,576	30,079
Other	<u>113,236</u>	<u>53,610</u>
	<u>10,796,377</u>	<u>9,855,227</u>
Expenses		
Salaries and wages	4,571,123	4,044,296
Employee benefits	839,295	1,013,306
Purchased services and professional fees	1,304,523	1,425,954
Supplies	2,566,945	2,406,743
Depreciation	210,476	209,489
Interest	22,961	17,502
Provision for uncollectible accounts	<u>968,838</u>	<u>1,209,651</u>
	<u>10,484,161</u>	<u>10,326,941</u>
Operating Income (Loss)	<u>312,216</u>	<u>(471,714)</u>
Other Income		
Interest income	26,179	36,196
Contributions	<u>—</u>	<u>42,702</u>
	<u>26,179</u>	<u>78,898</u>
Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Unrestricted Net Assets	<u>\$ 338,395</u>	<u>\$ (392,816)</u>

Jane Todd Crawford Memorial Hospital
Statements of Changes in Net Assets
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Increase (Decrease) in Net Assets	\$ 338,395	\$ (392,816)
Net Assets, Beginning of Year	<u>2,403,321</u>	<u>2,796,137</u>
Net Assets, End of Year	<u>\$ 2,741,716</u>	<u>\$ 2,403,321</u>

Jane Todd Crawford Memorial Hospital

Statements of Cash Flows

Years Ended June 30, 2002 and 2001

	2002	2001
Operating Activities		
Change in net assets	\$ 338,395	\$ (392,816)
Items not requiring cash		
Depreciation	210,476	209,489
Changes in		
Patient accounts receivable, net	384,760	119,466
Estimated third-party payer settlements	(701,118)	494,899
Supplies	(21,931)	(30,687)
Prepaid expenses and other	(80,750)	20,425
Accounts payable	39,836	(63,486)
Accrued expenses	<u>56,000</u>	<u>131,964</u>
Net cash provided by operating activities	<u>225,668</u>	<u>489,254</u>
Investing Activities		
Purchase of property and equipment	(136,094)	(24,653)
Net increase in assets limited as to use	<u>(84,812)</u>	<u>(299,546)</u>
Net cash used in investing activities	<u>(220,906)</u>	<u>(324,199)</u>
Financing Activities		
Proceeds from issuance of note payable	81,686	—
Principal payments under capital lease obligations	<u>(128,500)</u>	<u>(106,212)</u>
Net cash used in financing activities	<u>(46,814)</u>	<u>(106,212)</u>
Increase (Decrease) in Cash	(42,052)	58,843
Cash, Beginning of Year	<u>216,740</u>	<u>157,897</u>
Cash, End of Year	<u>\$ 174,688</u>	<u>\$ 216,740</u>
Supplemental Cash Flows Information		
Noncash investing and financing activities		
Capital lease obligation incurred for equipment	\$ 0	\$ 178,545
Additional cash payment information		
Interest paid	\$ 22,961	\$ 15,073

Jane Todd Crawford Memorial Hospital

Notes to Financial Statements

June 30, 2002 and 2001

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Jane Todd Crawford Memorial Hospital (Hospital) primarily earns revenues by providing inpatient, outpatient, emergency care, psychiatric and skilled nursing services to patients in Green County, Kentucky, and surrounding areas. The Hospital has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets Limited as to Use

Assets limited as to use is comprised of certificates of deposits designated by the board of directors for future capital improvements over which the board retains control and may, at its discretion, subsequently use for other purposes. These assets are comprised primarily of certificates of deposits and interest incomes from these investments are recorded as other income. The certificates of deposit are carried at cost, which approximates fair value.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless the use of the assets is restricted by the donor.

Jane Todd Crawford Memorial Hospital

Notes to Financial Statements

June 30, 2002 and 2001

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Charity care is not reported as revenue and totaled \$0 and \$114,960 for the years ended June 30, 2002 and 2001, respectively.

Reclassification

Certain reclassifications have been made to the 2001 financial statements to conform to the 2002 presentation. The reclassification had no effect on the change in net assets.

Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. During 2002, changes in estimated amounts due to Medicare and Medicaid programs increased the excess of revenues over expenses by approximately \$213,000.

Effective August 1, 2000, substantially all cost reimbursement outpatient services became subject to a prospective payment system. Under this system, payments to the Hospital are based on a predetermined package rate based on services provided to patients. The Hospital is held harmless under this provision until December 31, 2003.

Jane Todd Crawford Memorial Hospital

Notes to Financial Statements

June 30, 2002 and 2001

Medicaid - Inpatient acute care services provided to Medicaid program beneficiaries are reimbursed at prospectively determined per diem rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Approximately 66% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2002 and 2001, respectively.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Net patient service revenue for the year ended June 30, 2002, includes approximately \$128,000 in intergovernmental transfer reimbursement payments, which were distributed by the Commonwealth of Kentucky. The payments were made to certain county Hospitals in order to compensate the Hospital for certain shortfalls in the reimbursement for the care of the Medicaid patients.

Note 3: Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients with third-party payers at June 30 was:

	2002	2001
Medicare	32%	36%
Medicaid	8	15
Other third-party payers	47	39
Patients	<u>13</u>	<u>10</u>
	<u>100%</u>	<u>100%</u>

Jane Todd Crawford Memorial Hospital

Notes to Financial Statements

June 30, 2002 and 2001

Note 4: Functional Expenses

The Hospital provides general health care services to residents within its geographic location including pediatric care, cardiac intensive care and outpatient surgery. Expenses related to providing these services are as follows:

	<u>2002</u>	<u>2001</u>
Health care services	\$ 8,977,535	\$ 8,920,371
General and administrative	<u>1,506,626</u>	<u>1,406,570</u>
	<u>\$ 10,484,161</u>	<u>\$ 10,326,941</u>

Note 5: Note Payable to Bank

The Hospital borrowed \$81,686 from Greensburg Deposit Bank and Trust Company. The agreement stipulates interest shall accrue at 4.75% for the first 30 days, then vary monthly at 75% of the Wall Street Journal Prime Rate. The note is payable in full, plus accrued interest on April 27, 2003, and is secured by a certificate of deposit.

Note 6: Long-term Debt

The Hospital has entered into several capital lease obligations at varying rates of imputed interest from 5.50% to 6.40% and are due through 2005. The leases are collateralized by certain equipment. Total obligations at June 30, 2002, were \$159,066. Aggregate annual payments on capital lease obligations at June 30, 2002 were:

2003	\$ 106,217
2004	43,500
2005	<u>19,236</u>
	168,953
Less amount representing interest	<u>9,887</u>
Present value of future minimum lease payments	159,066
Less current maturities	<u>99,144</u>
Non-current portion	<u>\$ 59,922</u>

Jane Todd Crawford Memorial Hospital

Notes to Financial Statements

June 30, 2002 and 2001

Property and equipment included the following under capital leases at June 30, 2002:

Equipment	\$ 485,522
Less accumulated depreciation	<u>(257,517)</u>
	<u>\$ 228,005</u>

Note 7: Medical Malpractice Claims

The Hospital insures against losses from professional liability claims on a claims-made basis. The limits of this coverage were \$1,000,000 per occurrence and \$3,000,000 in the aggregate. Hospital management is unaware of any claims or incidents that might give rise to a malpractice claim and thus no accrual has been made as of June 30, 2002 and 2001.

Note 8: Pension Plan

The Hospital maintains a 403(b) annuity plan that covers substantially all employees and provides for the matching of employee contributions at the rate of 50% up to 4% of gross compensation. The Hospital's contribution to the plan was \$56,116 and \$42,142 for June 30, 2002 and 2001, respectively.

Note 9: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowances for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Note 2. Estimates related to the accrual for medical malpractice claims are described in Note 7.

Admitting Physicians

The Hospital is served by 2 admitting physicians whose patients comprise approximately 55% of the Hospital's net patient service revenue.

Jane Todd Crawford Memorial Hospital

Notes to Financial Statements

June 30, 2002 and 2001

Note 10: Subsequent Events

Subsequent to year end, the Hospital entered into a capital lease agreement with Siemens Medical Systems, Inc. to replace certain medical equipment. The lease requires 60 monthly payments of \$6,468 including interest at 2.39%.

On July 26, 2002, the Hospital entered into a line-of-credit agreement with a local bank providing for borrowings up to \$100,000. On August 22, 2002, the Hospital borrowed the \$100,000. Principal and interest is due at maturity on July 26, 2003.